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CIA No. 491202
20 July 1959

MEMORANDUM FOR: EIC Secretariat

THROUGH: Chief, Economic Research, ORR

THROUGH: Chief, Industrial Division, ORR

FROM: Chairman, EIC Subcommittee on Industrial Machinery and Equipment

SUBJECT: Annual Review of Activities and Accomplishments (FY 1959)

A. Activities of the Subcommittee During the Fiscal Year.

1. Review of the Intelligence Product in the Subcommittee's Field of Competence.

Continued progress was made in the past year in research on the machinery industries of the Sino-Soviet Bloc although the committee recognizes that major gaps in our intelligence on the machinery industries of the Bloc remain. Three National Intelligence Surveys, covering the manufacturing industries of Poland, East Germany and the USSR, were completed. These studies combining the research product of both CIA and the military services, substantially improves our knowledge of the basic structure and capabilities of the machinery industries of the Bloc.

Other research, for the most part ORR initiated, has significantly contributed to improving the intelligence community's understanding of the present strengths and limitations of the machinery industries of the Bloc, especially the USSR. Soviet oriented research was focused on the construction equipment, chemical equipment, metallurgical equipment industry, and electric power equipment industries -- all recognized priority research deficiencies. Both ORR and the Army did research on the motor vehicle industries of the USSR and the European Satellites. Considerable progress has been made gaining a better understanding of Soviet costing and price policy as applied to the machinery industries. Other research of an aggregative nature has studied Bloc trade in machinery and equipment and Bloc plans for the coordination and specialization of production. Research currently underway involves the construction of production indexes to serve as independent measures of the growth of Soviet machinery production. In addition, major progress has been made in the past year in improving our knowledge and understanding of the machinery and equipment industries of Communist China.

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2. Research and Collection Deficiencies.

a. Research Deficiencies.

Our priority research deficiencies are outdated and need general revision. This is a result of both the substantial research progress that has been made in recent years and the revision of priority national intelligence objectives. The Subcommittee intends to revise its priority research deficiencies in the coming fiscal year.

b. Collection Deficiencies.

The Subcommittee has received only one Priority Deficiency Statement which will be reviewed early in the new fiscal year. The Subcommittee will discuss the suitability of the ORR initiated statements of priority gaps for use by the intelligence community.

3. Review of Substantive Paper.

No research reports were reviewed during the past year. It is expected that several reports mentioned above in paragraph A. 1. and now nearing completion will be reviewed at an early date.

4. Review of Proposals for External Research.

No proposals for external research were considered.

5. Maintenance of Agreed Basic Statistics.

The members of the Subcommittee recognize that in recent years the great bulk of the community's research on the machinery industries of the Sino-Soviet Bloc is being done by ORR. As a result there has been much less need than in former years to stress agreed basic statistics. The Subcommittee does not feel that the maintenance of agreed basic statistics will be a priority undertaking of the Subcommittee.

6. Projects Undertaken at the Request of the EIC or Proposal to the EIC

None

7. Intelligence Research Techniques

None

8. Special Coordination Functions of the Subcommittee

A substantial portion of the Subcommittee's work in the past year was devoted to giving support to the USIB Committee on Exchanges. The Subcommittee approved a Defense Department proposal for a US - USSR machine tool exchange

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and withheld action on an Air Force proposal for a heavy press exchange pending more detailed information on respective itineraries in the US and the USSR.

9. Evaluation of the Role of the Subcommittee

The Subcommittee believes that in spite of the major role played by ORR in research on the machinery industries of the Bloc, inter-Agency discussion can still perform a useful function for the intelligence community by reviewing completed ORR research and recognizing significant gaps in intelligence. The committee feels that it can play a particularly effective role in evaluating and comparing the trends of Free World and Sino-Soviet Bloc technological growth in the field of industrial machinery and recommend ways of disseminating such findings, where appropriate, throughout the US Government.

B. Future Program of the Subcommittee.

At the next meeting the Subcommittee will be briefed on the present organization of research in ORR on the machinery industries of the Bloc. Following sessions will describe the related research activities of the other member agencies. Upon the completion of this program the Subcommittee intends to further discuss the means for implementing its role outlined in paragraph A-9 above.

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